BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2016 Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Company.	)))	**Case No. 17-38-EL-RDR**
In the Matter of the 2017 Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Company.	)))	**Case No. 18-230-EL-RDR**

OHIO POWER COMPANY'S REPLY COMMENTS

I. Introduction

Pursuant to the Attorney Examiner's August 30, 2018 Entry, Ohio Power Company ("AEP Ohio" or the "Company") hereby files the following reply comments in response to the comments that the Office of the Ohio Consumers' Counsel ("OCC") filed in these proceedings on October 26, 2018. As an initial matter, the OCC is concerned that customers are not receiving improved service reliability from AEP Ohio despite of the Distribution Investment Rider ("DIR") spend. OCC claims that customers are not receiving improved service reliability in exchange for the charges through the DIR because the average duration of outage in AEP Ohio's distribution system is becoming longer for customers. The OCC narrowly focuses on select information, misunderstands how DIR spending is utilized and fails to recognize how the benefits should be evaluated. Upon approval of the DIR, the Commission directed "The Company is directed to work with Staff to develop a plan to emphasize proactive distribution maintenance that focuses spending on where it will have the greatest impact on maintaining and improving reliability for customers."

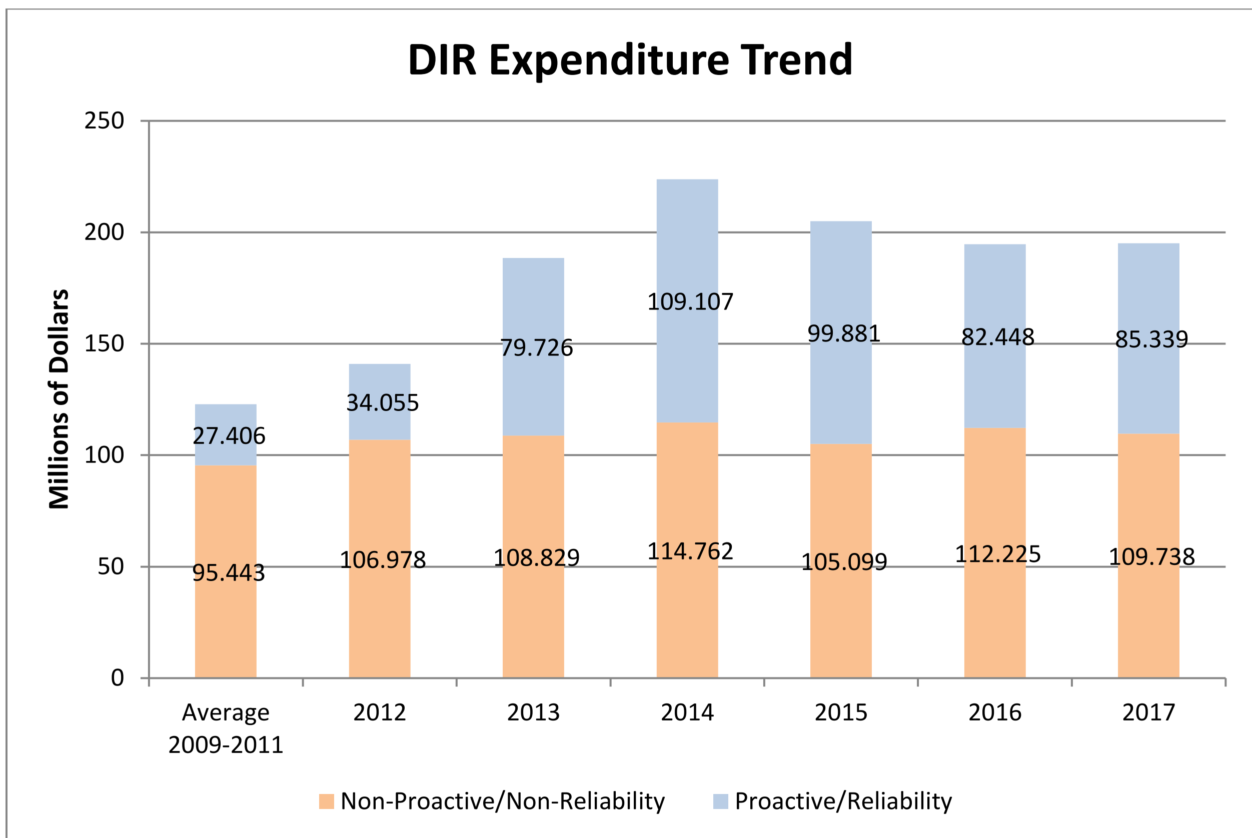
In compliance with the order, the Company develops programs within the DIR Plan that focus on reliability. Without these programs, the distribution system reliability could get worse. The Company aims to maximize the impact of DIR goals. It was not expected that all programs would be applied statewide all at once.

While the overall DIR plan is having a significant impact on the integrity of the distribution grid, inherently, there are some improvement in service reliability that may not be measured directly by System Average Interruption Frequency Index ("SAIFI") and the Customer Average Interruption Duration Index ("CAIDI"). One example of this is pole replacements. If the Company does not replace a rotting pole, there is a strong likelihood that the pole may fail in the near term. Therefore, the Company is proactive in replacing the rotting pole but there may not be an immediate improvement to the reliability metrics as the outage was avoided before it had the impact on customers.

Other examples include underground cable rehabilitation and out of right-of-way hazard tree removal. Through these programs, the Company is proactively addressing emerging challenges to customer reliability. While the Company cannot say with absolute certainty which segment of cable or tree will fail next, but it will happen at some point; these proactive mitigations can reduce the likelihood of outages. Again, this may not be immediately evident in the system-level reliability metrics but it important and effective at the same time. These examples show that SAIFI and CAIDI metrics are not always useful measurement to evaluate the benefit of the DIR. The benefit of the DIR is evaluated by the Company and the Commission with the following methods.

First, current year spend on the DIR plan's programs are compared to the baseline spend which is prior to the DIR (2009-2011) for each of the program types. The baseline 2009-

2011 is set using the average spend for the reliability type programs for the DIR plan as compared to the spend for these same types of programs for the years after implementation of DIR (late 2012). Also, the baseline 2009-2011 proactive versus non proactive spend is compared to each of the other years for the DIR plan.[1] The following chart compares the baseline 2009-2011 proactive versus non proactive spend as compared to each of the other years for the DIR plan. The chart further demonstrates the increased spend in proactive programs made possible by the DIR.



Second, the Company provides the reliability quantification for both proactive and reliability programs. The reliability quantification for proactive programs shows avoided outages and avoided customer outage minutes for each applicable program. Again, this

[1] The categorization and ranking of reliability-impacting programs is found the Company's work plan. (Case No. 16-24-EL-UNC and Case No. 17-45-EL-UNC). .

reliability enhancement is not reflected in CAIDI and SAIFI metrics but it does provide valuable information. Therefore, the Commission should disregard the OCC's concern related to reliability metrics such as CAIDI and SAIFI.

II. It is not appropriate to review only the SAIFI and CAIDI metrics to determine the reliability achieved using the DIR

The OCC relies upon the AEP Ohio reliability metrics table to evaluate the impact of the DIR over time. *See* OCC Comments at 4 (Table 1). The table (source) presents a summary of SAIFI and CAIDI metrics between 2011 and 2017. The OCC compares the SAIFI and CAIDI metrics for 2011 and 2012 with the metrics for 2017. The comments offered by the OCC refer to 2011 and 2012 reliability as baseline for comparison and claim that reliability has not improved. The use of 2012 as a baseline year is inappropriate since that year reflected the Company's best SAIFI performance in the timeframe from 2011 through 2017. Reliability metrics have annual fluctuations and choosing the lowest indices as a baseline does not result in accurate conclusions. Many of the annual fluctuations in the reliability indices are due to random non-controllable events like weather. Outages caused by vehicle accidents, third-party dig-ins, trees outside of right-of-way, etc. are not under the Company's control.

It is not appropriate to review only the SAIFI and CAIDI metrics to determine the reliability achieved using the DIR. It is also important to consider the average service availability, which is the percentage of time a customer has received power. AEP Ohio customers can access electricity twenty-four hours a day, seven days a week, and fifty-two weeks of each year with very few interruptions. The SAIFI and CAIDI metrics do play an important role to identify the events and causes of service interruption, which aids in the effort to identify opportunities for improvement. The improvement programs are supported by the DIR. In fact,

the SAIFI and CAIDI metrics require a utility to review the cause of outages if the metrics are missed two years in a row. The reason behind this is because certain types of outages are not within the Company's control and those that understand reliability understand that there is a lot of data that must be viewed in its totality over a period of time in order to draw any meaningful conclusions about the system performance.

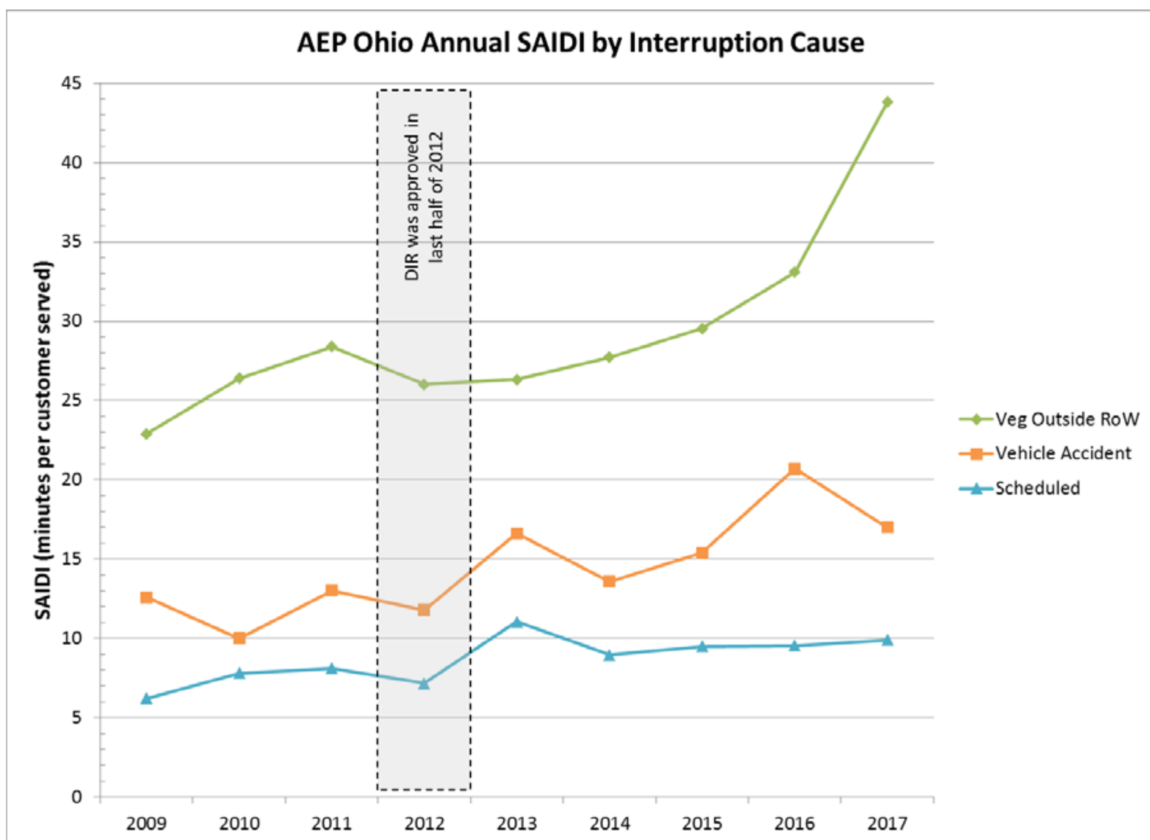
The PUCO uses the IEEE 1366 Standard to determine major event days that will be excluded from the reliability metrics. The Standard defines a major event as "an event that exceeds reasonable design and or operational limits of the electric power system. A major event includes at least one Major Event Day ("MED")." A MED is defined as "a day in which the daily System Average Interruption Duration Index ("SAIDI") exceeds a threshold value, TMED."

Storms that do not meet the MED criteria are classified as non-major storm events and included in the reliability metrics. As the Company makes improvements to the resiliency of the grid, the impact of storms is diminished, which can decrease the number of MEDs. This in turn, can increase the number of sub-MEDs included in the calculation and increase the averages for the metrics. This can give the appearance that reliability is getting worse, when in fact, the Company is actually improving overall reliability.

III. AEP Ohio Is Experiencing Emerging Challenges to Customer Reliability

Service interruptions due to vegetation falling from outside rights-of-way have increased significantly since the start of the DIR. AEP Ohio has implemented a program to work with property owners and address hazard trees. Outages due to vehicle accidents, such as distracted driving have also increased. Scheduled outages have increased as crews safely implement the DIR work plans and other customer driven projects. Added (not quantifiable) reliability impacts

during DIR construction projects include when customers are transferred to alternate sources and faults on the alternate source interrupt the added customers. Another example of added impact related to construction is when overcurrent protective devices that normally reclose for temporary faults are placed in an operating mode for the construction worker to work safely in which the devices do not reclose and remain open after temporary fault conditions. The Company shows the annual SAIDI trends of those three outage causes in the chart below. Comparing the three years 2015-2017 to the last three full years (2009-2011) prior to the DIR implementation reveals SAIDI increases of 9.6 minutes due to vegetation outside RoW, 5.8 minutes due to vehicle accidents, and 2.3 minutes due to scheduled interruptions.



IV. AEP Ohio's Reply Comments in Response to the OCC's Recommendations

A. The PUCO should deny OCC's recommendation for AEP Ohio to reduce its net distribution plant by at least $1.7 million to reflect the removal of incentive pay

compensation that Blue Ridge determined to be inappropriately included for collection from customers.

The OCC does not make any additional arguments or add to the recommendations from the Audit Report. The Company has addressed its position on this recommendation in its initial comments. (Case Nos. 18-230-EL-RDR, et al. (Oct. 26, 2018 at 2). Additionally, the OCC's comments are from the 2016 compliance audit and ignores the auditor's 2017 report where Blue Ridge addressed their 2016 recommendation on page 20 and 21 of the 2017 Audit Report stating no further action is required for the 2016 audit recommendation. (Audit Report Page 21). The Company reiterates that in the development of the Staff reports prepared in the Company's last base rate case, the Staff specifically recognized this and incorporated incentives into their labor build up. In the stipulation adopted in that case, the Staff reports were accepted as the basis of the Company's base distribution rates, so removing these cost components would be inappropriate and create a disconnect in cost recovery between base rates labor and the labor incorporated in capitalized projects. The Commission should reject OCC's recommendation and address general labor issues like this in the Company's next base distribution case.

B. The PUCO should deny OCC's recommendation for AEP Ohio to perform an analysis to determine the most cost-effective manner to procure capital spares.

The Company has responded to the auditor's recommendation as it relates to capital spares in its initial comments.

C. The PUCO should deny OCC's recommendation for AEP Ohio to verify to the satisfaction of the Auditor that no inappropriate vegetation management expenses were included in the DIR for collection from customers.

OCC asserts that the auditor has taken exception to certain capital costs that are potentially included in the DIR. However, just above the citation, the auditor stated "Blue Ridge found that the Company excludes incremental vegetation management recovered the in the

ESRR from the DIR. " (Audit Report page 12). The auditor's discussion on page 12 and further on pages 46 and 47 was related to whether the Commission had a hard cap on the amount of capital expenditures the Company could collect in any given year, not whether there was double recovery as OCC suggests. There was not double recovery.

The vegetation management rider is for costs that are associated with a four year trim cycle. The amount of capital spent for the four year trim cycle is small. Secondly, the DIR was approved to collect prudently incurred capital expenditures for distribution. The Commission's guidance as OCC has pointed out is for the Auditor to confirm there is no double recovery. The Commission has never ordered adjustments to be made to the DIR for vegetation management spend. The mechanism of the DIR was to recover the difference between the distribution capital accounts as of date certain in the Company's last base distribution case and the FORM 3Q (*i.e.*, quarterly FERC Form 1 data). The Commission has further ordered that the capital recovered through any other rider be appropriately excluded from the DIR in order to ensure there is no double recovery and the Company had done that. (Case Nos. 11-346-EL-SSO, et al. (Opinion and Order) (Aug. 8, 2012) at 47).

The Commission Staff audits the Company's vegetation management spend each year for prudency. Although the Commission has the ability to disallow any imprudent costs for recovery through the ESRR or DIR, there is not double recovery and there is not a limit on the amount of capital the Company can collect through the DIR on tree removal activities. In fact, the Company had implemented the Ash Borer Tree Program and recovery of those costs, once found prudent, were collected through the DIR. The Commission has set caps on both the Vegetation Management Programs as well as the DIR. It is inappropriate to recommend a reduction in the DIR of certain prudent capital expenditures if the programs are targeted to

improving reliability and the expenditures are below an overall cap approved by the Commission to ensure that the bill impacts associated with the DIR remain reasonable.

The auditor's recommendation was seeking clarification as to whether the Commission ordered a hard cap capital vegetation spend through a combination of the ESRR and the DIR. The Commission has not ordered a hard cap on capital vegetation spend but has charged the Auditor with ensuring that there is no double recovery. The auditor has verified there was not double recovery and as such OCC's additional comments should be ignored. Separately, the auditor was recommending that the Company revisit its capitalization policy for vegetation management costs and verify its alignment with FERC accounting. The Company has fully addressed this recommendation to the audit report in its initial comments.

D. The PUCO should deny OCC's recommendation that future DIR spending should be focused on both programs that reduce the number of power outages and programs that help reduce the duration of outages.

The Company interprets this recommendation, coupled with the earlier statements in OCC's comments, to mean DIR programs should also focus on CAIDI. The Company does not agree that DIR programs should focus on reducing the duration of outages as measured by CAIDI. The DIR was established to implement programs that maintain or improve customers' service reliability. The Company developed several programs and has reviewed them with the Staff. These programs focus on reducing the number of outages and the associated customers interrupted. There are annual adjustments made (even throughout the year) to the extent of each program and the geographic areas of focus based on most recent outage causes and circuit performance.

The focus of programs is not to reduce the duration of outages that are not avoided (CAIDI). There is no better way to reduce outage duration than to have a duration of zero

minutes, but customers that have no interruptions do not impact the CAIDI metric. On a related point, the Company believes the OCC might have mis-referenced the program (Line Recloser Maintenance Program) it uses as an example of a program designed to reduce CAIDI. The Company does not expect this program to have a large impact on CAIDI. The OCC might have meant the Sectionalizing program, which will have an impact on customer minutes of interruption (CMI), but reducing CMI does not necessarily reduce CAIDI.

CONCLUSION

In conclusion, the Commission should determine that the Company has implemented its DIR in line with all prior Commission orders, the audit recommendations have been addressed through both comments and reply comments in a manner that provides the facts necessary to determine that the audit recommendations are either resolved or moot. In addition, the Commission should find that the comments filed by OCC are without merit and the Company has addressed the OCC's comments and represented that it has provided the necessary detail, in addition to the Auditor's conclusion of reasonableness of the DIR program, to come to a conclusion that the DIR was prudent and no hearing is necessary in this case. There are no necessary adjustments to the DIR as the DIR is providing reliability benefits to the customers of AEP Ohio and is operating as intended.

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing was sent by, or on behalf of, the undersigned counsel to the following individuals this 16th day of November, 2018, via electronic transmission.

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Summary: Comments - Ohio Power Reply Comments electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company